BRITISH COLUMBIA

Business Plan 2000 – 2001

Ministry of Forests

April 2000

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Jim Doyle, Minister of Forests

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INTRODUCTION

This is the second annual business plan prepared by the Ministry of Forests for presentation to the legislature and the first since the introduction of the *Budget Transparency and Accountability Act*. This plan outlines the results the ministry expects to achieve in 2000/01 with the funds voted to it by the legislature – thereby providing an accountable basis for judging the ministry's performance.

The business plan also provides a strategic context that will guide the ministry's activities in the coming year. This strategic context is a work in progress as we continue to refine our strategic objectives and the performance measures by which the legislature and the public will be able to track our progress over time.

Together with the business plan of the Ministry of Environment, Lands and Parks – which is accountable for overall protection and conservation of the province's natural resources – the Ministry of Forests Business Plan spells out the key strategies through which British Columbia ensures the sustainable management of its forest and range resources.

The business plan is divided into six main sections:

1. *Strategic Context* – explains the ministry's mission, values, ethics, business and operating principles, vision, and the operating environment.
2. *Goals and Objectives* – sets out the ministry's broad direction over time
3. *Key Initiatives for 2000/01* – includes performance measures and targets
4. *Fiscal Plan* – outlines the revenue expectations and expenditure plans for the fiscal year
5. *Link with Government Priorities* – shows how the ministry's activities will support achievement of the government's overall objectives, and
6. *1999/00 Accomplishments* – reviews the ministry's performance in implementing the key initiatives set out in last year's business plan.

STRATEGIC CONTEXT

MISSION

The primary mission of the Ministry of Forests is to:

> Manage and conserve the province's forest and range resources in a manner that balances economic, ecological and social benefits for all British Columbians.

Since its establishment in 1912 as the Forests Branch, the ministry has been the main agency responsible for stewardship of the province's rich and diverse forest resources. It is the only agency charged with defining and achieving *a balance* between the economic and social needs of British Columbians, and the need to maintain the environmental integrity of forest and range lands in perpetuity. The challenges of fulfilling this balance-oriented mandate seem to increase in number and complexity every year. In response to these growing and evolving challenges, the Ministry of Forests continues to improve its knowledge base and planning capacity to ensure sound stewardship of the province's forest and range resources.

VALUES, ETHICS and PRINCIPLES

In carrying out its mission and day to day activities, the people of the Ministry of Forests are guided by ethics and principles that are rooted in the following core values of the organization.

VALUES

The Ministry of Forests protects the public's interest in its forest and range lands through a commitment to:

- Trust
- Fairness
- Truthfulness
- Responsibility
- Accountability, and,
- Respect for the land.

ETHICS

The Ministry of Forests is guided by the ethics of sustainable use, good stewardship and public service.

Sustainable Use Ethic. Our sustainable use ethic is to manage forest development to meet the current needs of British Columbians without prejudice to those of future generations.

Stewardship Ethic. Our stewardship ethic is to care for the health and sustain the beauty and natural functioning of the province's ecosystems by managing forests and rangelands to maintain natural diversity across the landscape.

Service Ethic. Our public service ethic is to provide a continuous flow of benefits from forest and range lands for the physical, cultural, and spiritual well being of British Columbians.

PRINCIPLES

In our sustainable use and stewardship roles, the Ministry of Forests applies the following principles to the delivery of our mandate:

- We seek solutions through collaboration with a diversity of interests;
- We seek to build and maintain strong governmental, industrial and environmental partnerships; and,
- We strive to be open and adaptive to new ideas and science.

In our service role, the Ministry of Forests is guided by the following four organisational principles in our operating methods and interaction with our clients

- We exercise initiative and pursue excellence;
- We are truthful and strive to be balanced in fulfilling our public trust;
- We recognize that strong partnerships, both within the organization and with others, are fundamental to our success; and,
- We treat people fairly and respectfully.

VISION, GOALS and OBJECTIVES

The preceding mission, values, ethics and principles talk about who we are now, and guide how we go about our business today. Our vision and goals speak to the future.

VISION

The British Columbia Forest Service is universally recognised as a leader in sustainable management of forests and rangelands.

Sustainability is fundamental to people's social, cultural, spiritual and economic well being, and it has become a key goal of government agencies responsible for the stewardship of natural resources at the global, national and local levels. The British Columbia Forest Service is committed to the sustainable management of the province's forest and range resources and to continual improvement of its management practices.

There are widespread misconceptions about what is happening in B.C.'s forests. In fact, less than half of the 49 million hectares of productive forest land in the province is currently managed for timber harvesting, some 23 million hectares. Of that 23 million hectares - the current timber harvesting land base - less than 1 per cent is accessed for timber removal each year. By law, every square metre of that area will be restocked with indigenous commercial tree species either through natural regeneration or planting. And in all these lands, resource values such as wildlife, soil and water quality are sustained. Unlike those jurisdictions that practise plantation forestry, British Columbia strives to manage forest lands to maintain natural attributes over the landscape and over time.

We continue to improve our knowledge and understanding of all resource values and how ecosystems work so that we can continue to improve our planning and management regimes. Our vision is to be at the forefront of the application of new knowledge to sustainable forest management and be recognised for our excellence in forest and range stewardship. Our pursuit of this vision will help British Columbia to maintain access to lumber markets around the world, to maintain the standard of living of its people and to sustain the health of its forests and rangelands.

STRATEGIC GOALS

To realise our vision, the Ministry of Forests has established three strategic goals, which will provide overall direction to our activities. They are:

1. To manage and conserve forest and grassland ecosystems for sustainable use now and in the future.

2. To help ensure that the province's forest, range and associated recreation resources contribute to the economic well being of its citizens and communities.

3. To be a strong, dynamic and adaptable organisation focused on achieving its strategic goals.

The objectives and key initiatives by which we will achieve these goals are described in the later sections.

Environmental Scan

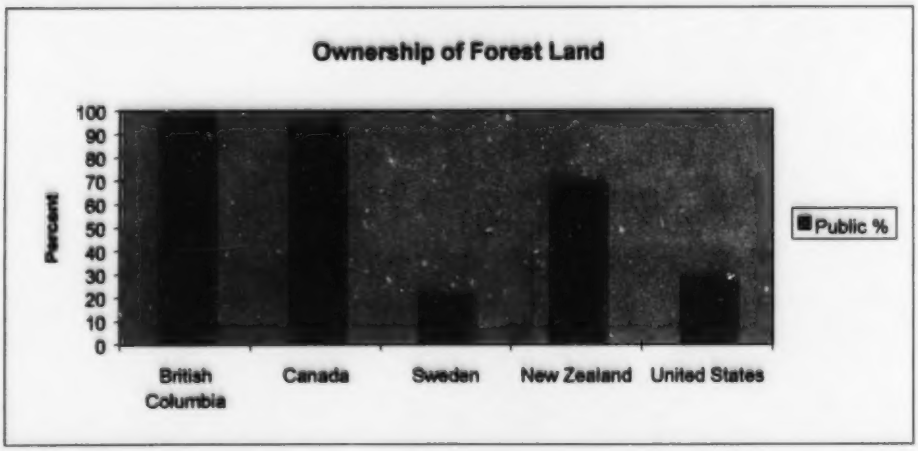
The Ministry of Forests' business plan adopts a global perspective in recognition of the fundamental changes that are taking place around the world, which are currently affecting B.C.'s forest sector. To thrive in the midst of such change will be an enormous challenge for the government, the forest industry and other forest sector stakeholders.

In the past, B.C.'s governments and industry have tended to focus inwards. This is due in part to our complex, made-in-B.C. systems of stumpage and tenure, and in part to the historic behaviour of markets. In the past, the world has "beaten a path to our door" to buy our forest products. If one customer chose not to buy, then another one was there to take their place. Today, B.C. must be much more sensitive to customer expectations and demands.

To remain globally competitive, B.C. companies must be able to produce precisely what customers want at an acceptable price. They must deliver those products where and when customers want them, and the products must meet an increasing variety of quality and performance standards, as well as environmental standards for sustainable forest management.

British Columbia in a Global Context

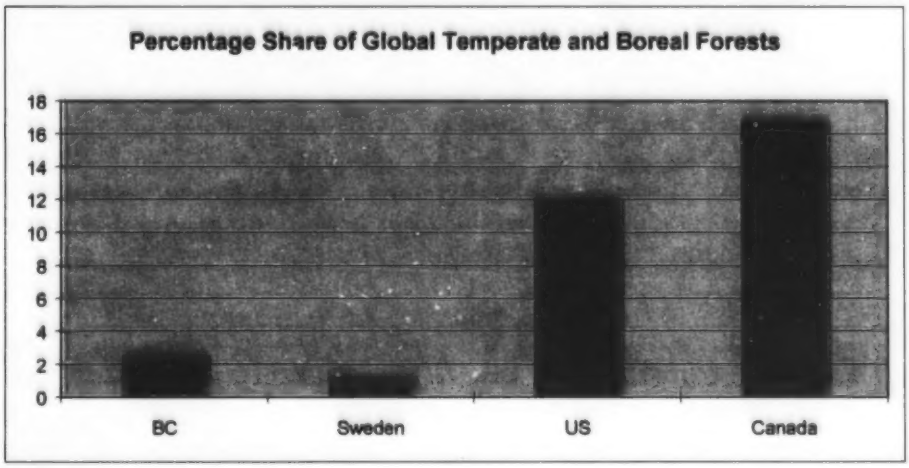
British Columbia is different from most other timber-producing jurisdictions in the world. Most of B.C.'s forest lands are publicly owned, which has profound implications for the way government, industry and stakeholders do business, and for their interrelationships. It is also one of the key reasons for the tradition of extensive government involvement in the forest sector.



Sources:

- BC and Canada – National Forestry Database, Compendium of Canadian Forestry Statistics
- Sweden, New Zealand – Unpublished report. A Review of Forest Practices Legislation, Regulation and Guidelines in Selected International Jurisdictions. Gary Bull and Associates.
- United States – UN/ECE Timber Database.

British Columbia has nearly 3 per cent of the world's and 14 per cent of Canada's temperate and boreal forested land area, and it has a substantial share of Canada's 25 per cent of the world's remaining forest frontiers[1] (large, ecologically intact and relatively undisturbed natural forest). B.C. also has more of the world's natural temperate rainforest than any other jurisdiction – an estimated 10.6 million ha of the world's remaining 30 to 40 million ha of coastal temperate rainforest. The global ecological importance of these holdings is obvious.

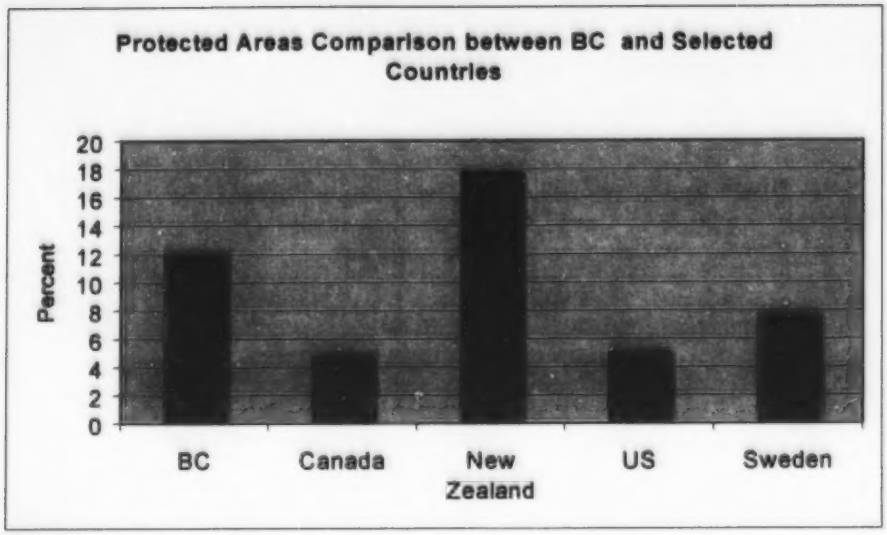


Sources:

- BC – National Forestry Database, Compendium of Canadian Forestry Statistics
- Canada, Sweden, U.S. – UN/ECE Timber Database
- Global total – UN-ECE/FAO Forest Resources Assessment

British Columbia also retains a greater amount of bio-diversity than other jurisdictions with temperate climates. Maintaining biological diversity and the natural attributes of forests is of increasing importance for policy makers and international environmental communities. A key measure of bio-diversity conservation is the amount of protected area. To date, B.C. has dedicated over 11 per cent of its land base to parks and protected areas.

[1] The Last Frontier Forests: Ecosystems and Economies on the Edge, World Resources Institute, 1997



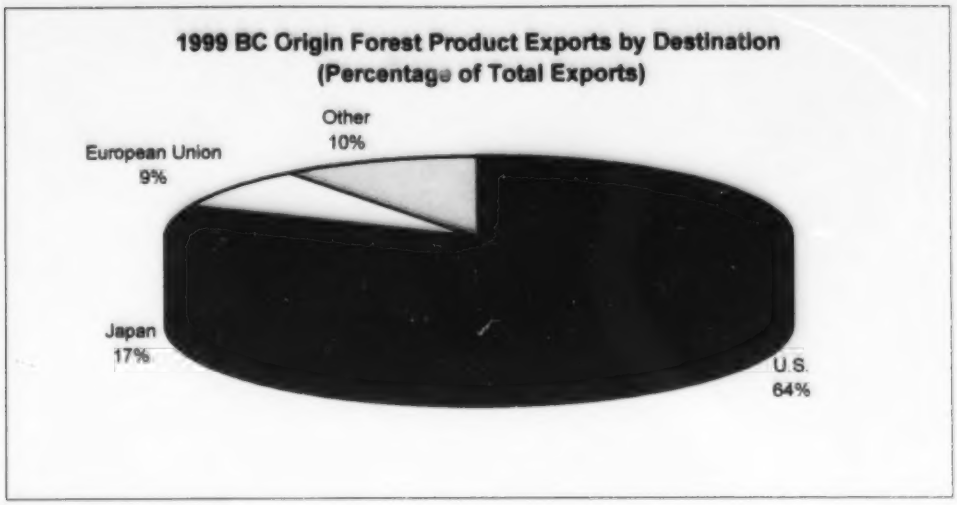
Sources:

- BC – LUCO (1999)
- Canada, New Zealand, U.S. and Sweden protected areas: IUCN, 1998. *1997 United Nations List of Protected Areas*, (1996 data)
- Country land area: 1999 FAO State of the World's Forests, (1996 data)

Given these attributes it is hardly surprising that British Columbia's management of forest resources is under continuous global scrutiny. Nor is it surprising that customer concern about environmental issues is increasing and that the demand is increasing for wood products that are "certified" as sustainably produced. This kind of stewardship scrutiny will be an ongoing "fact of life" for B.C. and the Province's forest policy framework must accommodate it.

Other international trends are also being felt by B.C.'s forest sector. International investment dollars now move easily between opportunities and jurisdictions, and the forest sector is in the midst of a consolidation and acquisition trend. At the same time, the nature of forest product markets is changing. New sources of supply are emerging (e.g., from plantation forests), competition from alternative products is increasing and new technology is producing new products and reducing the quality of fibre needed for others. These factors mean that our forest products are competing in an increasingly competitive international marketplace.

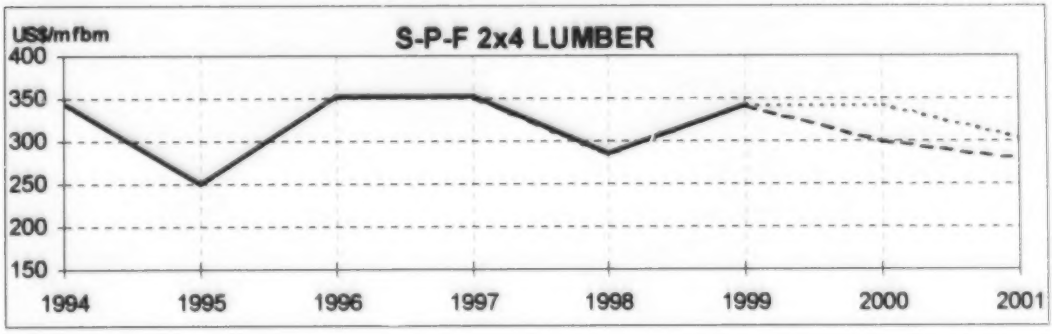
British Columbia is highly dependent on its forest product exports and is a "price taker" in global markets.

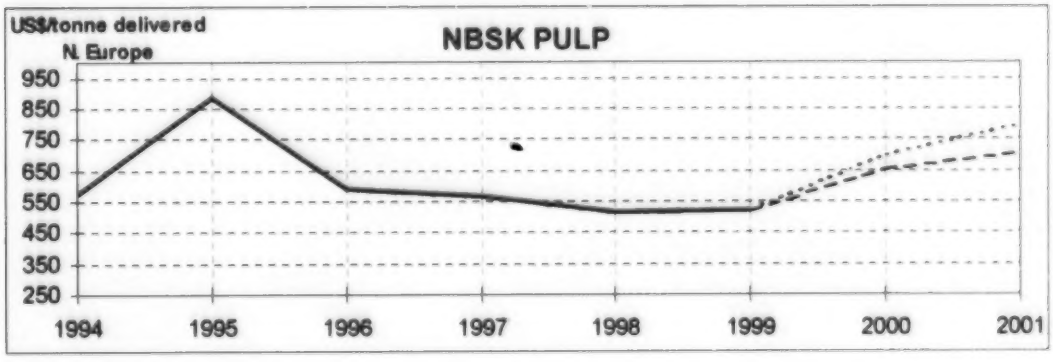


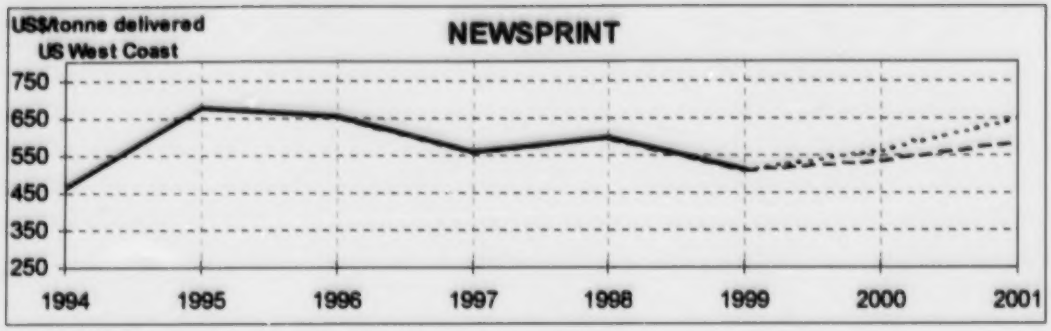
Source: Statistics Canada

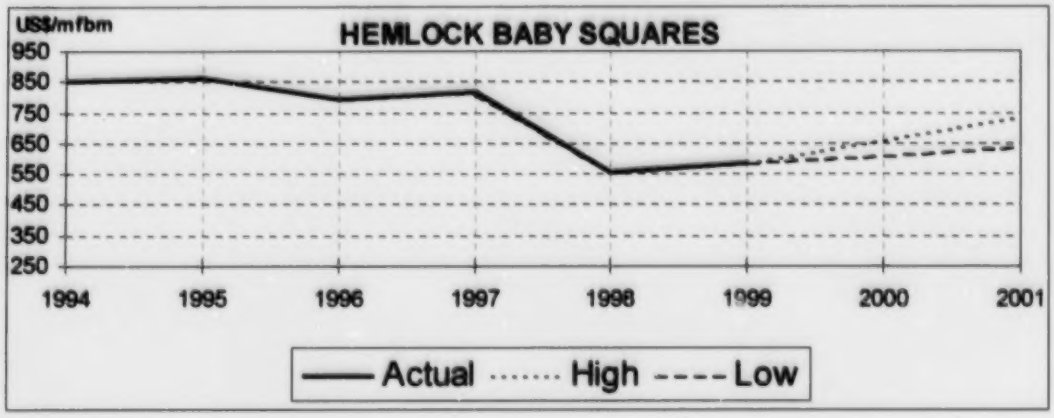
Much of the forest industry's production is exported (approximately 84 per cent) and these exports accounted for more than 50 per cent of total provincial exports in 1999.

High and Low Commodity Price Forecasts









Forecast Source: Investment Houses, Forest Product Analyst Forecasts

Production costs are a key factor for success in cyclical, competitive markets. The ministry can expect ongoing industry pressure to reduce costs, or keep them as low as possible – particularly if commodity prices weaken. At the same time, environmental standards will have to be maintained or increased. This will undoubtedly create some interesting challenges and pressures for change for the industry and the ministry, and both will have to consider new ways of doing business in order to succeed.

For industry, part of the solution to higher costs likely lies in the development of new products of higher value. For government, new approaches will likely include using more market incentives to accomplish objectives rather than regulatory and legislative controls, and the remaining direct involvement of government in forest sector decision-making will be more transparent and streamlined. Some additional pressures for change may make these kinds of changes inevitable.

For example, the current Softwood Lumber Agreement expires on March 31, 2001. British Columbia's recent experience with U.S. trade law, and the importance of access to the U.S. market, make it advisable for the province to consider changes which would minimise the potential for U.S. trade action.

The forest sector is very important to the British Columbia economy. This dependence is particularly acute outside of the major urban areas. While markets appear to be pushing us towards global companies with large asset bases, British Columbians are indicating they want smaller local enterprises and increased local decision making. Indeed, people around the world are increasingly uneasy about corporate concentration and control, and about the preservation of cultural identity. These fears are leading to demands for increased local involvement in decision making around the world.

While part of government's response to these apparently conflicting trends may lie in new ways of doing business, other options for providing new entrants with tenure opportunities will also need to be explored.

One group that will, over time, take on a larger role in the forest sector is First Nations. As treaties are resolved, First Nations will be the new landlords for part of the forest land base. The Ministry is moving forward with a strategy to provide First Nations with greater opportunities for forest sector participation.

Summary

The one certainty facing the provincial forest sector and the Ministry of Forests is that change will occur. There are many compelling pressures for change and adequate transition measures will be required. The British Columbia forest sector needs to be outward looking, globally competitive, environmentally responsible, and locally accountable. The Ministry of Forests' task will be to ensure that an appropriate policy, regulatory and legislative framework is in place to support these objectives.

Strategic Goals and Objectives

Increasingly, the British Columbia public and international forest product buyers expect and demand that healthy and largely natural forests are maintained. To meet these expectations, our forest management practices must demonstrate high environmental standards.

At the same time, there is an expectation that our forests and range lands will be used, in a sustainable manner, to generate economic benefits. Approximately 190,000 people work directly or indirectly in B.C.'s forest sector economy. Of the province's 63 regional areas[2], 26 areas (or 41per cent) rely on forestry as their principal income source. In 2000/01, the forest and range sectors are expected to generate approximately $1.5 billion in stumpage revenue[3], and $2 million in range revenue for the province. Forests and range lands also provide significant economic opportunities for industries such as tourism.

To meet both environmental and economic expectations, the Ministry of Forests must carefully balance short-term and long-term benefits, while maintaining soil productivity, water quality, ecosystem health and bio-diversity. This challenging job often involves trying to find the right balance among the competing interests of various stakeholder groups.

To respond to these challenges and expectations, the Ministry of Forests has adopted three strategic goals, aligned with its vision and mission statements.

1. Manage and conserve forest and grassland ecosystems for sustainable use now and in the future.

Effective forest management requires the wise and sustainable use of forest, range and recreation resources. The objectives to achieve this goal are:

a. Protect long term soil productivity

b. Protect or restore natural forest and grassland ecosystem productivity

c. Conserve the bio-diversity of forest and grassland ecosystems

d. Design forest legislation, regulations, policy, and planning processes to ensure the sustainable use of our resources

e. Establish and maintain land use and forest management planning processes which reflect economic, social and environmental public values, and which guide operational forest plans and forest investments

f. Ensure effective inspection of: licensee compliance with legislation, regulation and tenure agreements; and, ministry compliance with legislation and regulation that applies to government

g. Enhance forest and range productivity

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[2] based on aggregated census subdivisions

[3] does not include property tax, corporate income tax, logging tax or sales tax.

h. Meet critical inventory and data management needs of the ministry

i. Focus research and extension to support critical resource management needs

2. Ensure that the province's forests, range and associated recreation resources contribute to the economic well being of its citizens and communities.

A healthy resource economy in British Columbia is based on sustainable use of forest and range resources, and on a diverse base of competitive industry operators generating employment and revenues. A key factor is the fair allocation of forest and range resources to support the long-term viability of resource-based industries and communities. The objectives to achieve this goal are:

a) Foster a regulatory and administrative climate which enables a competitive forest industry

b) Maintain or improve economic potential from forest, range and recreation resources

c) Effectively allocate and administer forest and range tenures

d) Determine sustainable rates of timber harvest

e) Provide access to small business timber volumes

f) Contribute to the government's fiscal objectives by collecting the economic rent from the province's forest and range resources in an efficient and fair manner.

3. Be a strong, dynamic and adaptable organisation focused on achieving its strategic goals

The Ministry of Forests will enhance the effectiveness of its strategic planning by fully integrating ministry strategy with the internal business planning and budget cycles. Employees must be equipped with the right skills and knowledge to achieve the Ministry's goals effectively, and to be adaptive and innovative as the operating environment changes around them.

With rapid change in the past few years, forest service staff have faced increasing complexity and uncertainty at all levels of their work. New initiatives and changes in the ministry's roles have required changes in work functions for many employees. The ministry also faces a significant loss of accumulated expertise over the next 10 years, as many employees are scheduled to retire.

The objectives to achieve this goal are:

a) Implement the Strategic Management Framework

b) Recruit, train and support staff so that they are knowledgeable, adaptive and innovative in achieving the ministry's goals

c) Implement continuous improvement principles in the organisation's business practices

Key Initiatives and Performance Measures

The ministry will implement the following key initiatives in 2000/01 in support of the three strategic goals. Some of these initiatives will deliver on prior commitments made by the ministry and government. The remainder are designed to achieve the ministry's vision and mission, as well as assisting the ministry in meeting new and future challenges.

Goal 1. Manage and conserve forest and grassland ecosystems for sustainable use now and in the future

KEY INITIATIVE	DESCRIPTION OF INITIATIVE	PERFORMANCE MEASURES	TARGETS	ACCOUNTABILITY
Results-Based Code Initiative	Test results-based Code model	Number of Code pilots implemented	Implement 4 Code pilots across the province	Chief Forester; ADM Operations
Community Forests Initiative	To explore increased direct community involvement in local forest resource management	Number of Agreements issued which directly involve communities	Issuance of 7 Community Forestry Agreements.	ADM, Operations
Kyoto Protocol Initiative	Contribute forest related input to the B.C. government's strategy for the Kyoto Protocol	Level of ministry input provided to provincial/federal discussions	Fully inform provincial and federal discussions, including COP6 in Nov. 2000, on provincial forestry benefits, including carbon sinks	ADM, Policy and Economics Chief Forester
State of the Forest Report Initiative	Assess the sustainability of forest management in BC.	Report on indicators of sustainability	Complete prototype report on indicators of sustainability	Chief Forester
Landscape Unit Planning Initiative	Initiate landscape unit planning throughout the province	Number of Landscape Unit Plan objectives advertised	Advertise objectives for 75 Landscape Unit Plans	ADM, Operations Chief Forester
Forest Health Initiative	Minimise expansion of bark beetle expansion province-wide; and, gypsy moth populations in Burnaby	Area of forest land attacked by bark beetles Level of gypsy moth population control	Minimise bark beetle expansion by undertaking control measures as per 5 year forest health plan Eradicate gypsy moth populations in Burnaby	ADM, Operations Chief Forester

Goal 2: Ensure that the Province's forests, range and associated recreation resources contribute to the economic well being of its citizens and communities

KEY INITIATIVE	DESCRIPTION OF INITIATIVE	PERFORMANCE MEASURES	TARGETS	ACCOUNTABILITY
Softwood Lumber Initiative	Provide leadership at the national and provincial levels in attempting to ensure continued access to the US market	Level of leadership provided to ensure all options are considered and risks are identified	Unfettered access to the US market for BC softwood lumber	ADM, Policy and Economics
Forest Policy Review Implementation Initiative	Support those Forest Policy Review recommendations approved by Government for immediate implementation	To be developed	Based on Cabinet direction, implement specific report recommendations and/or broad policy directions.	ADM, Policy and Economics ADM, Operations
First Nations Forest Strategy	Build relationships between First Nations, forest industry and government Enhance First Nations access to forest resources Increase capacity of First Nations to participate in the forest sector Contribute to completion of the lands and resources components of treaty settlement packages	• Number of pilots implemented under the Premier's Economic summit • Number of forest related business arrangements involving First Nations • Number of Traditional Use Studies completed • Number of students involved in the Forest Tech Training Program (FTTP) • Number of pre-treaty and non-treaty related agreements developed or supported • Number of treaty related agreements supported including land and cash offers and Agreements in Principle	• Implementation of 3 "access-to-timber" pilots under the Premier's Economic summit • Increased number of forest sector business arrangements involving First Nations • Completion of 10 TUS's • 17 current students complete FTTP; 20 students start FTTP • Increased number of pre-treaty and treaty related agreements developed or supported	ADM, Operations

Certification of Forest Products Initiative	Increase recognition of sustainable forest management in BC, to help facilitate certification for BC companies that apply Pursue certification initiatives for the SBFEP	• Contribution to the development and revision of various sustainable forest management standards • number of forest districts with SBFE Programs which are ISO 14001 certified • number of FSC and CSA Sustainable Forest Management pilots	• Contribute to CSA sustainable forest management national standard revision • Contribute to the development of FSC BC regional standards, through participation on the stakeholders committee. • All district SBFEPs in Vancouver FR to be ISO 14001 certified by March 31/2001 • Implement 4 pilots	ADM, Operations; ADM, Policy and Economics Chief Forester
Implement New Small Business Forest Enterprise Strategy	Review and update Value-added Strategy Improve Forest management practices Expand alternative silviculture systems on Southern Coast	• Development and implementation of a strategy that is fully supported by the Value-added sector • number of districts with SBFEP Environmental Management systems in place and operational • percentage of all sales sold in the Vancouver Forest Region in 2000/01 from alternative silviculture systems	• Update Value Added policy to target increased wood volume for higher value uses • Implementation of Environmental Management Systems for SBFEP in all forest districts • Achieve 2000/01 target of 5 year plan to have 60per cent of all sales sold in the Vancouver Forest Region in 2000/01 from alternative silviculture systems	ADM, Operations
Bridge Replacement Initiative	Systematic replacement of major structures required to access timber and recreational opportunities.	• Number of access structures replaced	• Replacement of 140 bridge structures	ADM, Operations

Goal 3. Be a strong, dynamic and adaptable organisation focused on achieving its strategic goals

KEY INITIATIVE	DESCRIPTION OF INITIATIVE	PERFORMANCE MEASURES	TARGETS	ACCOUNTABILITY
Strategic Management Framework Initiative	Enhancement of strategic direction and accountability linkages with the ministry business planning and budget cycles	Establishment of Corporate outcome measures and targets.	Develop corporate outcome measures and targets for goals and objectives by March 31, 2001	Deputy Minister
Training and Succession Planning Initiative	Integration of a systematic training and succession plan model that reflects identified skills and knowledge required and human capital for the future	Training and succession needs are identified, priorized, funded and delivered.	• Priorized training plan implemented within budget • Succession plan model approved and initial steps implemented	ADM, Management Services
Continuous Improvement Initiative	Implement and maintain continuous improvement principles in the delivery of harvest management practices	Number of forest regions developing more efficient harvest management practices	Deliver continuous improvement curriculum in 3 forest regions	ADM, Operations
Equity and Diversity Initiative	Integration of equity and diversity initiatives into ministry operations; Staff education and training on equity, diversity and discrimination prevention; Systemic barrier identification and removal Remedial measures to address inequities	Proportion of new hires to ministry from designated equity groups Increased representation of designated groups in under-represented classification levels Proportion of ministry staff who have received discrimination prevention training	• New hires from designated groups reflect distribution of overall provincial population • Increased designated group representation into technical, professional and management level positions • 100 per cent of ministry staff to have received discrimination prevention training	ADM, Management Services

The Link with Government Priorities

The ministry's strategic goals link directly with the five government priorities of Education, Health Care, Working Families and Healthy Communities, Stronger Economy for B.C, and Environment. Ministry goals and strategies for 2000/01 that specifically support these government priorities are listed below.

Government Priority	Relevant Ministry Goal Statement	Clarifying Remarks
Education and Health Care	• Ensure that the province's forests, range and associated recreation resources contribute to the economic well being of its citizens and communities.	• Ministry revenue collection will contribute an estimated $700 M to CRF for use in education, health care and other government priorities
Working Families and Healthy Communities	• Ensure that the province's forests, range and associated recreation resources contribute to the economic well being of its citizens and communities. • Manage and conserve the province's forest and grassland ecosystems to allow their sustainable use now and in the future • Be a strong, dynamic organisation focused on achieving its strategic goals.	• Implement First Nations Strategy • Deliver Forest Enterprise Program • Implement Community Forests Initiative • Implement Equity and Diversity Initiative
Stronger Economy For B.C.	• Ensure that the province's forests, range and associated recreation resources contribute to the economic well being of its citizens and communities. • Manage and conserve the province's forest and grassland ecosystems to allow their sustainable use now and in the future	• Implement Results Based Code and Cost Driver Initiative • Support Certification and Softwood Lumber Initiatives • Implement cabinet decisions on Forest Policy Review Recommendations • Enhance forest and range productivity • Maintain/enhance economic potential of forest resources
Environment	• Manage and conserve the province's forest and grassland ecosystems to allow their sustainable use today and in the future	• Establish land use and forest management planning processes • Design legislation and regulation for sustainable forest resource use, and inspect for compliance • Protect long term soil and natural ecosystem productivity • Conserve diversity of ecosystems

Fiscal Plan

1. 2000/01 Financial Analysis

	1999/00 Forecast	2000/01 Estimates	Var.
Revenues ($M)			
Gross Revenue	1,503	1,463	(40)
Less FRBC Transfer	(268)	(251)	17
CRF Revenue	**1,235**	**1,212**	**(23)**
Expenditures ($M)			
Ministry Operation	312	298	(14)
Fire Suppression	62	77	15
SBFEP	131	132	1
Other Special Accounts	2	6	4
TOTAL MINISTRY	**507**	**512**	**5**
NET REVENUE	**728**	**700**	**(28)**
Net as per cent of CRF Revenue	**59 per cent**	**58 per cent**	

2. Revenue and Expenditure Budget Analysis

a) Revenues

The Ministry of Forests is responsible for collecting all revenue related to the harvesting of trees on Crown lands and the use of the province's range resources for cattle grazing. The only exceptions are the Logging Tax and export fee rebates that are collected by the Ministry of Finance and Corporate Relations as part of its administration of corporate taxes. 96 per cent of forest revenue comes from stumpage – the fees forest companies and others pay for trees from the provincial forest. Other sources of revenue include timber export fees, range permits and fees, waste charges and penalties.

Stumpage revenues are directly related to target stumpage rates, set by the province every three months, and the volume of timber cut each year. Stumpage rates vary according to a composite Statistics Canada index of lumber and chip prices and thus are sensitive to the market prices for both lumber and the chips used for pulp production as well as Canadian dollar exchange rates. The ministry operates a revenue forecasting model that takes into account these and other factors in developing revenue forecasts each year. The key assumptions for the 2000/01 revenue estimates are shown in the table below.

2000/01 REVENUE ASSUMPTIONS

ITEM	2000/01	1999/00
US $ Exchange Rate	$C 0.7036	$C 0.6756
Hemlock Baby Squares (Coast avg)	$US 600/mfbm	$US 598/mfbm
Cedar 2 X 10 (Coast avg)	$US 400/mfbm	$US 390/mfbm
SPF 2 X 4 (Interior avg)	$US 319/mfbm	$US 344/mfbm
SPF 2 X 10 (Interior avg)	$US 386/mfbm	$US 433/mfbm
NBSK Pulp (average)	$US 670/tonne	$US 560/tonne
Volumes (non-Small Business)		
Coast	14.6 mm3	16.0 mm3
Interior	38.5 mm3	41.2 mm3
TOTAL	53.1 mm3	57.2 mm3
Volumes (Small Business)		
Coast	1.9 mm3	1.6 mm3
Interior	7.2 mm3	6.9 mm3
TOTAL	9.1 mm3	8.5 mm3
TOTAL VOLUME		
Coast	16.5 mm3	17.6 mm3
Interior	45.7 mm3	48.1 mm3
TOTAL 2000/01	62.2 mm3	65.7 mm3

Overall, the ministry is forecasting a slight decline in revenues this year compared to last year. Continuing strong housing markets in the United States are expected, but SPF prices are expected to decline by about 8 per cent and the Canadian dollar is expected to appreciate against its US counterpart during the year. Pulp prices are forecast to continue to strengthen in 2000/01 averaging $US 670 / tonne – up 20 per cent over 1999/00. The Japanese housing market is also projected to improve this year as the Japanese economy continues its gradual recovery. These factors together should result in relatively high timber volumes being cut again this year, although the forecast calls for a decline in overall volume harvested from Crown land of 6 per cent. In 1999/00, harvest volumes for both the Coast and Interior were well above average.

b) Expenditure Budget

The 2000/01 operating budget of $512 million leaves the Ministry of Forests in essentially a status quo situation compared to last year. Certain expenditure pressures have been recognised by Treasury Board and additional funds provided. These include:

- $10 million for Bark Beetle Infestation – this funding is for the control and management of bark beetles across the province. The funding is required to reduce and prevent further losses to the forest resource and to protect other related values and to maintain an aggressive management program. Bark beetle outbreaks are expanding in several areas of the province and are having negative impacts on protected areas and parks as well as commercial forests.

A portion of this funding will be used by the Ministry of Environment, Lands and Parks (Parks Division). For 1999/00 $7 million was provided through approval of a special warrant.

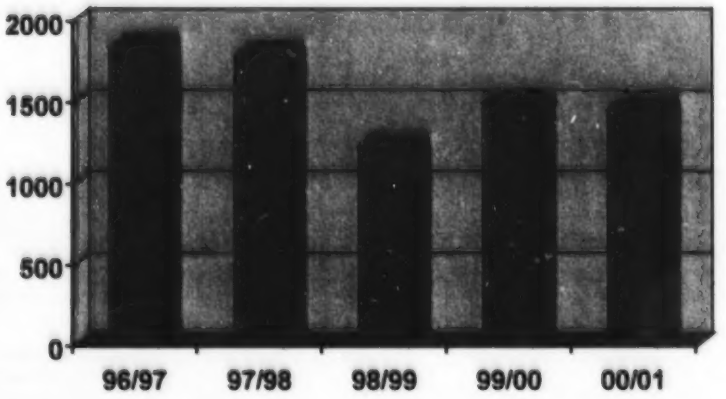
- $10 million for Bridge Replacement Program – this funding will be used to replace worn out bridge structures on forest service roads. These structures are necessary to keep the roads open for timber harvesting, forest management and recreation, and to protect water quality and fish habitat. For 1999/00 $15 million was provided through approval of a special warrant.

Summary of Anticipated 2000/01 Capital Appropriations

Each year, the ministry receives a capital appropriation to cover acquisition costs associated with systems hardware and software, land, buildings, tenant improvements, non-lease vehicles, heavy and operating equipment and office furniture and equipment. The total capital appropriation for 2000/01 is $15.7 million.

3. Five Year Trends

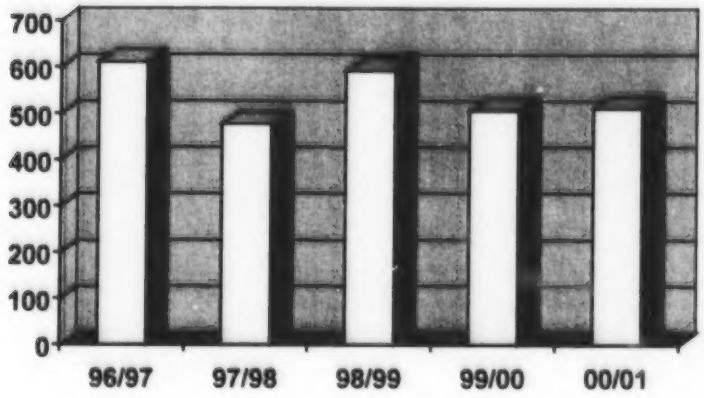
Provincial Forest Revenues 1996/97 to 2000/01
($ millions)



1996/97	$1.85 billion
1997/98	$1.80 billion
1998/99	$1.23 billion
1999/00	$1.50 billion
2000/01	$1.46 billion

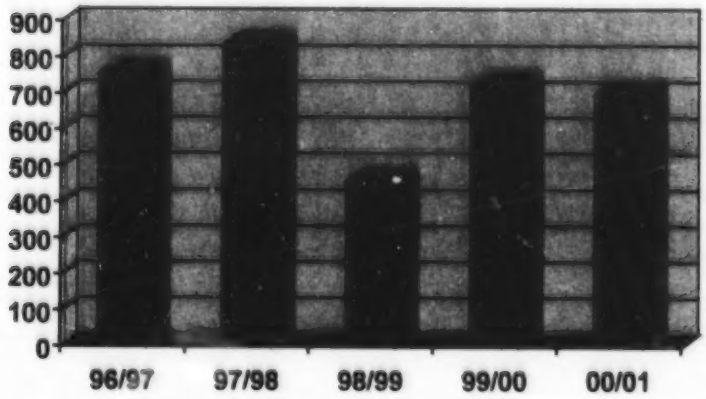
Note: includes stumpage and other direct forest-related revenue collected by the ministry but excludes taxes paid to government by the forest sector

Ministry of Forests Expenditures 1996/97 to 2000/01
($ millions)



1996/97	$611.3 million
1997/98	$478.1 million
1998/99	$592.5 million
1999/00	$506.6 million
2000/01	$512.0 million

Net Revenue Available for Other Government Priorities
($ millions)



1996/97	$755.7 million
1997/98	$835.9 million
1998/99	$458.5 million
1999/00	$728.0 million
2000/01	$700.0 million

Note: net revenue includes stumpage and other direct forest-related revenue less transfers to Forest Renewal BC and less ministry expenditures.

1999/2000 Accomplishments

ENHANCING INDUSTRY COMPETITIVENESS

INITIATIVE	ACCOMPLISHMENT IN 1999/2000
Cost Driver Initiative Implement cost saving measures and efficiencies in harvest management practices	• Of 828 potential cost saving measures put forward by industry, 670 or 80 per cent were addressed to resolution. • Standing timber inventory of 1.4 years of approved cutting permits was up 35 per cent from 1997/98 levels. This accomplishment is 97 per cent of industry's target level.
Results-Based Code Initiative Change from prescription- to results-based model Code	• Legislation enabling results-based code pilots was passed • Five pilot projects presently in the detailed planning stage
Softwood Lumber Initiative Continued access to the US market for lumber exports	• An arbitration case related to the June 1998 BC stumpage reduction was resolved by agreement between Canada and the US in August 1999. • Technical support provided to the federal government to counter US Customs reclassifications. • Developed recommendations, through Softwood Lumber Advisory Committee, to federal government for allocating bonus softwood quota to address hardships and inequities.
Certification of Forest Products Initiative Market access for British Columbia forest products	• Participation in the CSA sustainable forest management standards review • Initial participation in development of FSC regional standards • Certification initiatives for the SBFEP, including pilot identification • 8 B.C. companies have received certification (CSASFM(2); FSC(3); ISO14001(5))
Market Pricing Initiative Increased competitive timber sales and harvest activity in SBFEP	• Unsold licenses declined to 4 per cent of tendered volume down from the previous year's average of 14 per cent. • Overall SBFEP harvest levels increased by 18 per cent from 1998/99; gross revenue increased by 29 per cent from 1998/99. These increases indicate that Market Pricing System rates are competitive and market sensitive
Compensation Initiative Compensation for lost timber-harvesting rights	• Completed negotiations and reached agreement with MB regarding Protected Areas and Parks taking on Vancouver Island • Initiated and continued compensation negotiations with several other licensees • Co-ordinated Contractor Compensation working group discussions on logging contractor compensation associated with Nisga'a Treaty • Supported compensation cost sharing discussions with the Federal Government for treaties

SUPPORT FOREST EMPLOYMENT AND COMMUNITY STABILITY

INITIATIVE	ACCOMPLISHMENTS IN 1999/2000
Small Business 2000 Initiative Provision of affordable wood to the value-added forestry industry	• Licences for 3.8 million m3 were awarded with an average term of 4.3 years. In return, clients will maintain and create 1908 jobs annually over the average term of the licenses. • 100 per cent of the Small Business apportionment was sold. • In addition, the target to reduce the volume of historic undercut SBFEP wood by 60 per cent to 332,587 m3 in 99/00 from 841,032 m3 in 98/99 was met. • 1.4 million cubic metres from the Small Business Program were reallocated to support value-added enterprises.
Small-Scale Salvage Initiative Increased opportunities for small-scale harvesting operators	• Volume of timber sold to small-scale harvesters increased 7.5 per cent to 501,857 m3 in 1999/00 from 467,000 m3 in 1998/99.
Tenure Agreements Initiative (Community Forests) Increase in forest management under new tenure agreements	• Received and evaluated 27 proposals for community forest pilot agreements • Seven communities were made conditional offers of community forest pilot agreements, representing approximately 85,000 ha of Crown land
Innovative Forestry Practices Agreements (IFPA) Initiative Provides opportunity to increase licensee AAC and employment through innovative forest practices	• 2 agreements were signed in 1999/2000, for a total of 6 agreements. • 5 Forestry Plans (an integral part of the agreement) were received and evaluated in 1999/2000. One Forestry Plan was signed (4 others expected to be signed early in 2000/2001).
Treaty Negotiations Initiative Support pre-treaty and treaty development	• Participated in the development of 6 land and cash offers. • Assisted in the Provincial ratification of the Nisga'a Treaty. • Developed the MOF Nisga'a implementation plan. • Assisted in reaching Agreement in Principle with Sechelt First Nations.
First Nations Economic Development Opportunities Initiative Support capacity of First Nations to participate in the forest sector	• Within the Forest Technician Program, establishment of 21 partnerships between First Nations and forest companies, and summer employment for 23 aboriginal people. • Completion and quality assurance of 13 Traditional Use Studies and initiation of 3 new studies • Commenced development of a First Nations Forests Strategy • Initiated 3 "access-to-timber" pilots under the Premier's Economic Summit

ENSURE STEWARDSHIP OF THE FOREST RESOURCE

INITIATIVES	ACCOMPLISHMENTS IN 1999/2000
Criteria and Indicators Initiative	• Information provided for Canada's report on sustainability on the 6 national criteria and 49 national indicators of forest sustainability.
Enhanced Forestry Management Pilot Project Initiative.	• The Invermere forest management strategy completed; a fourth pilot was initiated in Robson Valley. • The Invermere ecosystem restoration project applied to Rocky Mountain-Trench.
Forest Health Initiative Control of insect damage to mature commercial timber	• Completed approximately 3 million ha of aerial surveys and ground assessments to identify locations of bark beetle infestations • Implemented approximately 5,000 pheromone placements to trap bark beetles • Streamlined approval processes to authorise a 750 per cent increase in the number of logging sites in infestation areas
Kyoto Protocol Initiative Meeting British Columbia's share of Canada's commitment to the Kyoto Protocol	• Ministry staff represented B.C. in the national implementation process by participating in the Forest Sector and Sinks tables. Each table published options reports which will be used to prepare a draft implementation plan to be discussed by the federal and provincial Ministers of Environment and Energy in Nov 2000
Landscape Unit Planning Initiative	• Stakeholder discussions, policy and guidelines finalised. Initial training completed • 1300 draft landscape units defined. Two trial Landscape Unit Plans completed.
Land Use Planning Initiative	• Contributed to the completion of 2 Land and Resource Management Plans (Lakes and Robson Valley). One LRMP is at the final stage (Cassiar – Stikine). 56 per cent of the province is now covered by land use plans (including 11 completed LRMPs).
Legislation and Regulation Initiative	• Revisions to three major Acts and two major Regulations were made to streamline administration requirements.
Fire Protection Program	• 93.6 per cent of all forest fires were contained at less than four hectares. • Total area burned by wildfires was 10,818 ha, or 45 per cent of 5 year average. • Total timber volume lost to wildfire was 715,377 m3, or 30per cent of 5-year average.
Quality Assurance Initiative	• Established foundation for effective compliance program to address licensee statutory and contractual obligations through inspections and field advice. Training underway. • Established common inspection standards (based on an appropriate interpretation of the legislation) for both licensee and government statutory field obligations • Established risk assessment principles for allocation of inspection resources
Range Health Initiative Long-term health of plant communities and competitive ranching industry	• Maintained supply of approximately 970,000 AUMs of livestock forage and wildlife range • Continued to address the invasion of 30 noxious weed species using bio-control and chemical agents

Recreation Management Initiative Introduction of camping fees at FS recreation sites	• The Forest Recreation Regulation was amended in March 1999. Camping fee revenue covered approximately 25 per cent of recreation site operating costs in 1999/2000.
Reforestation Initiative Reforest sites disturbed by fire and pests	• Approximately 1,100 hectares of priority disturbed sites planted
Regulation of Private Land Initiative	• Regulations for forest practices on private land were enacted. Initiative Complete.
Research Initiative Improved understanding of processes and interactions of the forest environment	• Provided technical advise and collaboration for: updating ministry forest practices legislation and policies; statutory decisions; certification initiatives; and, other international commitments
Resources Inventory Initiative Detailed and accessible inventory for sustainable forest management	• Completed the last 3 of 70 inventory audits of forest inventory accuracy, concluding the Forest Inventory Audit Program. • As planned, 2258 forest cover map sheets (1/3 of total) were updated and quality assured • 5 year N. American datum map shift project completed, bringing MOF map information up to current standards, providing sharable and common information to support forest planning processes.
Road Maintenance and Replacement of Bridges Initiatives	• Maintenance of approximately 12,000 km of Forest Service Road and replacement of 195 bridges required to access timber and recreational opportunities.
Timber Supply Initiative Support of Chief Forester in AAC determinations on 5-year legislated schedule	• Under Round 2 of Timber Supply Reviews, 9 AAC determinations (4 TSA and 5 TFL) and 7 Timber Supply Analysis reports were completed in 1999/2000.
Tree Improvement Initiative Improve tree seed and increase use of select tree seed	• Increase in volume gain from use of improved tree seed from 6 to 7 per cent • Increase in select (A-class) seed use to 36 per cent of annual provincial sowing.

MEET FISCAL TARGETS AND REVISE BUSINESS PRACTICES

INITIATIVES	ACCOMPLISHMENTS IN 1999/2000
Equity and Diversity Initiative	• Implementation of key equity and diversity strategies to increase overall designated group representation • 75 per cent of staff have received discrimination prevention training
Revenue Management Initiative Adjust billing procedures to provide increased flexibility to industry and to recognise the seasonal nature of logging	• Implemented a monthly payment plan option for stumpage payments • Completed the temporary 90 day stumpage deferral initiative • Phased out interim billing on timber that was stored in decks or at roadside before being scaled to improve efficiency of the billing process

APPENDIX A
Ministry of Forests Mandate

The purpose of the Ministry of Forests is to manage and protect B.C.'s timber, range and recreation resources for the best short- and long-term balance of economic, social and environmental benefits for all British Columbians. The *Ministry of Forests Act* provides the ministry with a broad and general mandate to:

a) encourage maximum resource productivity;
b) manage resources responsibly to achieve the greatest short- and long-term social benefits;
c) practice planned, integrated resource management and use;
d) encourage a globally competitive forest industry; and,
e) assert the financial interest of the Crown.

Three other statutes provide more specific mandates: the *Forest Act*, the *Range Act*, and the *Forest Practices Code of British Columbia Act*.

The *Forest Act* mandates the Ministry to:

- develop and maintain an inventory of the land and forests;
- assess the land for growing trees continuously, for providing recreation, for producing forage for domestic and wild animals,
- for conserving wilderness, and for accommodating other forest uses;
- classify land as forest land if he or she considers that in so doing that classification will provide the greatest contribution to the social and economic welfare of British Columbians; and,
- determine an allowable annual cut at least once every five years for Crown land in each timber supply area and for each tree farm licence area.

The *Forest Act* also mandates the Ministry to enter into and to administer agreements and licences that allocate the use of forest resources providing revenue to the Crown.

The *Range Act* authorises the Ministry to:

- manage range resources; and,
- allocate and administer the use of range resources by the livestock industry through grazing and hay-cutting agreements providing revenue to the Crown.

The *Forest Practices Code of British Columbia Act* mandates the ministers of Forests, Environment, Lands and Parks, and Energy and Mines, to:

- establish objectives for resource management zones.

The Code mandates the Forest Service to:

- establish stewardship standards for operational plans and for forest and range practices.
- ensure that the legislated requirements for sustainable forest practices are followed;
- meet the requirements for higher-level-plan objectives established through strategic planning; and,
- ensure compliance and enforcement of forest and range practices in a fair and equitable manner to Ministry stewardship standards.

The combination of these four mandates provides a complex and challenging role for the ministry. That role often involves balancing the competing interests of people who selectively advocate one aspect of the Ministry's mandates without consideration of the implications for other aspects. This need for balance requires the Ministry to consider both long and short-term policy implications, consider both cultural and environmental concerns, and balance local, regional and provincial interests.

APPENDIX B
Ministry Organisation

The Ministry of Forests, which is also known as the Forest Service, is structured to:

- effectively manage organisational resources,
- decentralise decision-making to ensure efficient and highly responsive service to ministry clients,
- emphasise integrated resource management and forest product development and marketing,
- establish clear line-staff relationships,
- ensure the accountability of managers, and
- achieve excellence through a commitment to employees.

ORGANISATION AND FUNCTION

Divisions

The ministry has four divisions:

- Operations
- Forestry
- Policy and Economics, and
- Management Services

Each division is headed by an assistant deputy minister reporting directly to the deputy minister. These four officials, together with the deputy minister as chair, make up the ministry's core executive.

Branches are organised within divisions, with the exception of Communications Branch, which reports directly to the deputy minister.

Operations Division

This division is the operational arm of the Forest Service. It implements the policies and programs developed by the branches. The only division with direct regional and district responsibilities, Operations Division includes the six regional offices, 40 district offices, and the following six branches:

- Protection,
- Business Design,
- Compliance and Enforcement,
- Resource Tenures and Engineering, and
- Aboriginal Affairs.

Forestry Division

The Forestry Division ensures that all Crown forest lands are managed to provide the greatest long-term benefits for British Columbians.

The assistant deputy minister, who is also the province's chief forester, determines the allowable annual cuts for timber supply areas and tree farm licences.

This division has five branches and one program unit, each headed by a director:

- Forest Practices,
- Timber Supply,
- Tree Improvement,
- Resources Inventory,
- Research, and
- Forestry Division Services.

Policy and Economics Division

The Policy and Economics Division ensures a consistent framework for provincial forest policy. It has specific responsibility for trade policy and legislation.

The division has two branches:

- Corporate Policy and Planning, and
- Economics and Trade.

Management Services Division

Management Services provides professional corporate staff advice and administrative services.

Four branch directors report to the assistant deputy minister, who is also the ministry's executive financial officer.

The five branches are:

- Financial Management,
- Revenue,
- Human Resources, and
- Information Systems.

Regions

For administrative purposes, the province is divided into six forest regions, each with a regional manager. The forest regions are subdivided into forest districts. All forest regions and districts come under the authority of the Operations Division.

The regional offices are the general administrative centres for each forest region and the districts within them. With district input, regional managers and their staff develop priorities, programs and procedures for the region, based on provincial and ministry policies. They supply professional and technical expertise to help the districts implement programs and deliver goods and services consistently and effectively to the forest industry and the public. The regions also relay feedback from the districts to the appropriate branches at ministry headquarters.

The regional offices, in partnership with the headquarters branches, audit and monitor the districts' performance and are responsible for regional field operations. This includes forest revenue inspection teams that enforce regulations to prevent the loss of timber and revenue. Regional offices also provide compliance and enforcement support under the Forest Practices Code.

Under the forest sciences program, regional staff conduct operational research to ensure optimal management of the regions' forest and range resources. Regional offices also take a lead role in all interagency and planning processes conducted at the regional level.

Districts

The province is divided into 40 forest districts, each administered from its own office by a district manager. Some districts also administer field offices.

District offices put ministry policies into practice by carrying out regional priorities and ensuring compliance with legislative requirements such as the Forest Practices Code.

District managers and staff implement and administer the Forest Practices Code and forest and range legislation at the field level. They monitor field activities to ensure compliance with licences, permits, contracts, and the Forest Practices Code.